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Elliott, Howard

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ADDRESS
TO THE
Annual Convention
of the
American Association
of
General Passenger and Ticket Agents
by

HOWARD ELLIOTT

Chairman of the Board
and President of
THE NEW YORK, NEW HAVEN AND HARTFORD
RAILROAD COMPANY



COPLEY PLAZA HOTEL, BOSTON, MASS.
September 16, 1914

Mr. President, Mr. Commissioner, Ladies and Gentlemen of the American Association of General Passenger and Ticket Agents: I am very glad indeed that I could be here today and it was a regret that I could not be with you on Monday when you went over the New Haven Road. I am also very glad that I am able to be here this morning to hear the very complete and helpful address of Commissioner Clark.

Boston and New England welcome the General Passenger and Ticket Agents and their families, and I am glad to be allowed to say a word to welcome you for the New Haven Railroad, because the interests of New England and those of the New Haven Railroad are one.

I am glad also to meet you face to face because I want to express verbally what I tried to express last fall by letter and telegram—my regret that I could not be in the West when you made the trip over the Northern Pacific, and I also want to thank you for the very beautiful testimonial you sent me and which is cherished by my family and has been shown to many friends.

A Trying Period.

In those beautifully engrossed resolutions, you wished for me "A clear track and white lights the rest of my run." In the United States and particularly in New England, the railroads have been and are now passing through a very difficult period. All the lamps are not white, but something has been done and is being done to clear the tracks, and to make possible the constructive work of which Commissioner Clark has spoken, and which is so essential if New England and the Nation are to grow and prosper as they should.

You, gentlemen, who are charged with the duty of caring for and promoting the passenger business of the railroads are important and helpful factors in building up the country, for it is your duty to study travel condi-

tions and to make known the possibilities that exist for pleasure and business and for making homes. New England has a very great interest in your work, as New England is a great place for the seeker after pleasure and health, both summer and winter.

A New Eng- Nature has been very kind to New Eng-
land Industry. land in many ways. New England is a great vacation ground, and this business of caring for the comfort of visitors, providing facilities for those who are sick or worn out, so that they may enjoy the mountains and lakes, the valleys and wonderful seacoast, the forests and opportunities for fishing and shooting in the northeastern part of the country, represents an industry in which many millions of dollars are invested. It may be rightly said that the industry is one of the assets of New England, for it is estimated that more than a million and a quarter people come to New England annually to spend their vacations. There are more than 4,400 hotels and boarding houses, and it has been estimated that a hundred million dollars a year is spent here for summer pleasure. So you can see what a great industry this is in New England, and how much New England should appreciate your coming here and seeing something of the situation with your own eyes.

This dreadful and disastrous war in Europe will more than ever turn the attention of the American people to the beauties of their own country, both East and West, and keep in this country the very large sums of money that have been flowing to Europe annually, and this will be a most desirable result.

The New Eng- To a great many Americans this part of
land States. the country is most interesting because of its historical associations and its wealth of American literature. But apart from that, New England, from a material point of view, is full of industrial vigor and is the home of a manufacturing

business which is of permanent and increasing value to the United States as a whole, which now is more important than ever because of the dislocation of affairs on the other side.

These little New England states contain only 2.19 per cent. of the area of the country, but they have one-fourteenth of the population, one-twelfth of the national wealth, and they consume one-eighth of the materials of manufacture. They have in their banks one-sixth of the bank deposits. The banking resources of New England total more than \$3,000,000,000 and the savings of the New England people in the savings banks are nearly \$1,500,000,000; enormous sums of money that testify to the thrift and enterprise of the New England people.

Partly because of the migration from New England of many of her sons and daughters, New England turned from agriculture to this great manufacturing business. Yet there is great opportunity in New England for agriculture, and already steps have been taken to re-awaken that industry and this has been accelerated by the higher prices for food and the increased prices for land in the middle and the far West. The value of the farm property in New England increased from \$436,000,000 in 1850 to \$867,000,000 in 1910, and her crops in the census year just passed had a value of \$141,000,000; so while there has been some decadence of New England agriculture, it promises to be rejuvenated.

Let me speak briefly and specifically of a few substantial features of our New England States.

Maine, the Pine Tree State.	Maine, the picturesque Pine Tree State, produces more potatoes to the acre than any other state. In the last census period the value of her farms increased nearly 63 per cent. and now have an annual value of
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nearly \$200,000,000, yet for each acre cultivated Maine has nearly seven acres that could be tilled. This state has nearly 750,000 people and 2,288 miles of railroad. She has an area of 33,000 square miles, about half the total area of New England, containing 10,000,000 acres of forest land and more than 2,000 lakes and streams, with 2,500 miles of sea coast. The maximum water power that might be developed in the state has been estimated at 971,000 horse power. Maine is a vast and beautiful natural playground, and at the same time contains great possibilities for agriculture and industrial growth.

Vermont. Vermont, the Green Mountain State, has less than 10,000 square miles, and a population of nearly 360,000, but it leads all of the states in the pounds of butter produced per capita, per farm, and per cow. The beautiful Green Mountains, the picturesque Connecticut Valley and the romance of Lake Champlain all furnish attractions to the summer visitor.

New Hampshire. New Hampshire, with 9,341 square miles, has many beautiful lakes and the attractive hill country and White Mountains. There are 25 peaks over 2,500 feet in height, and there are over 2,000,000 acres of forests. New Hampshire has developed strongly as a manufacturing state; in 1849 the state turned out \$23,000,000 of manufactured goods and in 1909 \$164,000,000, although the population showed an increase of only 35 per cent. The savings bank deposits last year amounted to \$104,000,000, or \$230 per capita.

The Old Bay State. Massachusetts, the old Bay State, is one of the greatest of the manufacturing states in the Union—the value of the product for the last census year being nearly \$1,500,000,000. Massachusetts, however, possesses possibilities for

agriculture, because of the great city markets so close at hand. Only 24 per cent. of the tillable land in the state today is used for agricultural purposes. Rhode Island and Massachusetts are the two most densely populated states in the Union, in fact little Rhode Island is nearly as thickly populated as poor, distracted Belgium. Rhode Island, in common with the other New England states, offers many opportunities to the seeker after health or rest, on the shores of Narragansett and Buzzards Bays.

Connecticut, Home of "Yankee Notions". Connecticut, the Nutmeg State, was organized as a Commonwealth in 1637, and is the home of Yankee notions. She has \$517,000,000 of capital engaged in manufacturing, and its manufacturing product is valued at \$490,000,000. Agriculturally she stands second to Maine and Massachusetts in the value of her crops, and the value of her farms has increased over 40 per cent. in the last census period. Her consumption of food products amounts to \$80,000,000 a year, but she produces less than \$20,000,000, so that this state presents a great opportunity for the energetic farmer.

The Nation's Storehouse. These beautiful New England states, compared with the great states west of the Allegheny Mountains, are small. They could be put within the borders of many of them. But these states are a great storehouse of tradition, money, credit, knowledge, and men. The schools and colleges of New England attract people from all over the country and in turn New England sends her manufacturing products and her sons and daughters all over the country to help the United States. New England has been and is most important to the rest of the country in helping to finance its mills, its irrigation projects, its electric lines, its land schemes, and many other enterprises. She is, as

I say, a great storehouse for the country. She needs the rest of the country, and the rest of the country needs her.

Tying together this small, but important section to the rest of the country is this wonderful American transportation system, the health and continued prosperity of which is of such vital importance to the growth and welfare of the whole American people.

The people in the New England States do not differ from the people in other states, and most people, as Commissioner Clark has pointed out, want to be fair. But a great many seem to entertain unhappy and unfair views about the great transportation problem, unless they have accurate information and real facts. When they have sound information they come to a right conclusion, although it seems as if many were slow in getting at the real situation.

The Transportation Problem. You, gentlemen, who represent the passenger business of the United States, which contributes more than \$700,000,000 a year to the gross revenues of the great transportation machine, have an important function. That is an enormous sum of money and by its very magnitude leads the unthinking to believe there must be great profit to the railroads in this branch of the business. As a result there is constant demand on the part of those who travel for better facilities and more luxurious service. The refusal or the inability of the carrier to furnish the service and the facilities have resulted in friction, and oftentimes in laws and orders which, in their cumulative effect, are proving extremely embarrassing to the general health of the railroad business; and have, by reducing the net income of the railroads, made it harder and harder to obtain the money necessary for the very improvements which the public demand and which are so essential for the continued growth of the country.

Figures have been given again and again, and the only way we can get the matter before the public is to keep on giving them. I have a few here which emphasize the point which I have been trying to make. Go back to the fiscal year ending June 30, 1907, and on 227,450 miles of railroad the net operating income was \$760,000,000. For the year ending June 30, 1914, on 253,230 miles of railroad the net operating income was \$712,000,000. In other words, in the fiscal year just passed, the earnings were \$48,000,000 less than in 1907, although there were 25,776 more miles of railroad serving the public and to be maintained and operated; and within the period from 1907 to 1914, \$3,431,000,000 of new capital was poured into the plant.

Situation in New England. Here in New England we have had, and we still have, a very difficult situation.

But we have been working just about one year to bring about a reasonable and friendly adjustment with the Federal Government so that the New England railroad transportation situation would conform to the views of the Department of Justice as to the law. That negotiation has been most interesting, not only as a negotiation, but as a sociological incident. Whether it was right or wrong to do the things that were done in trying to build up the New England transportation machine is not now the question. They were done under what was supposed to be the law at that time. But the taking apart of that piece of machinery without serious dislocation and without too great a sacrifice of values is a very difficult task. I think, though, that with a little patience on the part of the public and the public authorities, the taking apart in the time allowed by the Federal Government can be accomplished without irreparable loss.

It has been perhaps the largest attempt to dissolve

arrangements that under the present interpretation of the Sherman Anti-Trust Law are now considered illegal. It has been a very interesting incident in the history of American railroads, and if the thing can be solved correctly, and without serious loss, it means a great deal, not only to New England, but to the whole country, for the reason that I have already given, namely, that New England is a storehouse of money, and credit, and anything that would hurt the money and credit of New England would react all over the country.

We made the friendly adjustment with the Attorney-General in the hope that a rather distracted and demoralized situation in New England could be pacified and satisfied, and permit all hands to go ahead with constructive railroading and forward the interests of New England as a whole, upon whose success naturally and necessarily depends the success of the railroads. I believe that with an improvement in business and a little help from Mr. Commissioner Clark and his associates, the problem can be worked out without dislocation, which no one wants, whether in the public service or in the railroad service; or the patrons of the railroad.

Declining Rates, Some of the great forces affecting the railroads and reducing the net income, as
Rising Costs. shown by the figures, when applied to the New Haven Road, show some of the difficulties confronting that property and I ran across some figures a few days ago not made by or for the New Haven Road, but prepared by an independent statistician from the accounts filed in Washington.

In 1907, the average freight rate on the New Haven Road was what seems high because of the class of business handled, and the very short haul, 1.436 cents per ton. And in 1913 it had fallen to 1.345 cents, an apparent insignificant decrease of 91/1000 of a cent, but this

represented to the New Haven on the volume of the freight carried in 1913, \$2,303,000.

In 1907, the pay roll of the company was \$23,754,000. If the identical rates in 1907 had been applied to like classes of labor in 1913, there would have been \$4,038,000 less payment for labor. Those two items, due to the gradual fall in certain classes of rates and gradual advance in certain classes of wages, make a difference of \$6,341,000 a year, a very substantial sum in these times.

The Rate Decision. I suppose you have read, and if not I recommend that you do read, the report of the Commission in the Five Per Cent.

Rate Case. Every man in the railroad service in any responsible position should read the majority report and take cognizance of the recommendations of the Commission as to possible savings. He should also read the minority reports with which possibly he will be more in accord. But in the minority report Mr. Commissioner Daniels made what seemed to me a very good statement about the situation, and one that ought to be treasured by everyone interested in the railroad problem, and the public ought to know about it. He said:

Living Wage for the Railroad. "The world-wide phenomenon of rising prices is by this time no novelty. Since 1906, the average rise in the world's price level is estimated by competent statisticians at from 30 to 50 per cent. It has mirrored itself in the rising cost of living; it has evoked, and most properly, advance in wages and salaries; it has coincided with an increase in the nominal rate of interest where part of the interest so called is but compensation for the anticipated depreciation of the capital sum later to be repaid. This rise in the price level must eventually be reckoned with in railroading. For a time its effects may be masked by

adventitious increases in the volume of traffic, but this temporary relief in its very nature is uncertain, and sooner or later the difficulty is sure to reappear. For a time it may be circumvented by extraordinary economies, but in its nature it is inexorable. It must be faced, not trifled with. It is hardly an adequate remedy to accord to carriers relief only when their returns have reached the well-nigh desperate level now shown in central freight association territory. Even before this inadequate return is evidenced higher rates are warranted. Such a solution of the present case would have done no less than justice to the carriers and would have promoted the welfare of the community they serve.

"A living wage is as necessary for a railroad as for an individual. A carrier without a sufficient return to cover costs and obtain in addition a margin of profit large enough to attract new capital for extensions and improvements cannot permanently render service commensurate with the needs of the public. Eventually it may come about that railroads will be owned and operated by the Government. That is a matter of public policy which it is not the province of this Commission to consider. But that such a departure from the present policy of private ownership and corporate operation should be materially hastened by the reluctance of new capital to invest in these properties would seem to be a grave indictment of our present system of regulation and control."

Duty of the Railroad Man. The margin between income and outgo was becoming smaller and smaller, and

Mr. Commissioner Daniels voices the situation very well. Every one of us, every man working for a railroad, owes today more than ever a patriotic duty to his company, to the country, and to himself to make certain that the practices in the management of his rail-

road are the most economical and most efficient, and that there is no waste or extravagance.

Commissions represent in part the atmosphere in the country. We may sometimes think that they don't reflect it correctly or reflect it quickly enough. But the attitude of the country is changing somewhat and this change will affect the Commission, because the country is realizing more than it ever did before the truth of Commissioner Daniels' statement.

Every man, and particularly the passenger man who meets the public can perform a most valuable service in pointing out in a reasonable and proper way some of the difficulties that confront the railroads in trying to do their duties as common carriers, and in trying to help create a reasonable public opinion founded on real facts and not on prejudices. You passenger men have, I believe, the greatest opportunity of your lives at this time for constructive work and to exercise your knowledge, experience and talents in trying to find ways to serve the public satisfactorily, and with a lesser expenditure of money for unnecessary kinds of service. You have, furthermore, a chance for constructive work in showing that for extra and luxurious service and for service perhaps now performed free, the railroads are fairly entitled to make a charge.

Passenger Rates.

The Commerce Commission itself has opened the door to you to take up that subject because in their recent decision about the freight rates, there are two paragraphs. One says:

"The traveling public is giving expression to its demands for better service, better accommodations, and for the adoption of all the devices that make for safety. A public that demands such service cannot reasonably object to the payment of a reasonable compensation therefor."

Another says:

"Upon the facts set forth we are of the opinion that the net operating income of the railroads in official classification territory, taken as a whole, is smaller than is demanded in the interests of both the general public and the railroads."

So, the passenger man and the freight man, too, has an opportunity for careful work in revising the rates and service, and I believe they will all do this careful work. Furthermore, they can show that passenger rates and charges in many cases are too low for the service performed, and that the railroads are entitled to more than that sum of \$712,000,000, and should have increased rates to help tide them over the very difficult period confronting them.

The Public's Attitude. I remarked that the attitude of the public is changing somewhat. I believe it is, because on the New Haven Road, in an effort to do some of the very things that the Commission mentioned in its Five Per Cent. case—when the subject was explained face to face with commercial bodies, with shippers, and public officials we were met in a spirit of co-operation, and were able to take off a number of non-remunerative trains, and we hope to be able to take off more.

We were also able to bring about some advances in rates, and we are working on other advances. I want to express publicly my thanks, to those New England communities that have helped the New Haven, in its hour of need, to adopt some economical practices, and express the hope that they will continue, as I believe they will, to help us enforce economies until times are better.

President Wilson's Letter. The President of the United States, as you all know, was approached recently on the general subject, and in his letter he said, among other things, referring to the general railroad situation:

"They (the railroads) are indispensable to our whole economic life, and railway securities are at the very heart of most investments, large and small, public and private, by individuals and by institutions.

I am confident that there will be active and earnest co-operation in this matter, perhaps the one common interest of our whole industrial life. Undoubtedly men, both in and out of official position, will appreciate what is involved and lend their aid very heartily wherever it is possible for them to lend it.

But the emergency is, in fact, extraordinary, and where there is a manifest common interest we ought all of us to speak out in its behalf, and I am glad to join with you in calling attention to it. This is a time for all to stand together in united effort to comprehend every interest and serve and sustain it in every legitimate way."

The people of the United States, when they understand this situation, and the people of New England, when they understand it, will be fair, and as stated by the President, it is a time for all to speak out and make a united effort. It is a time for everyone in the railroad service to exercise greater energy and courage, and patience and resourcefulness and self-denial than ever before. You passenger men, by the very fact of your official relation to the problem, can perform a very great service to the companies you represent, and I know that you will take account of the changed conditions, of the views of the public authorities and respond by renewed

efforts in the direction of less extravagance and rates commensurate with the service performed.

I want to say again how pleased I am to see you once more and meet, as I did this morning, some of my old friends from Chicago, St. Louis, Omaha, St. Paul and Minneapolis and later I hope to meet more of you, and reiterate how pleased I am that you were able, you and your good wives and families, to have a little trip over the New Haven Road. We are not as long as the Northern Pacific, but we are just as broad and we want your friendship. We appreciate it. We believe we have it. I want to wish for you and your families that this trip may help you, invigorate you to go back to what I fear will be a very arduous winter for everyone in the railroad service or industrial or financial life.

A time for Frankness. I want also to endorse what Mr. Commissioner Clark says with reference to the importance of the railroad man being frank with the different public bodies. The railroad men have made mistakes. So have the Commissions. The railroad men have learned, and so have the Commissions. This is a good time to have frank, open, heart-to-heart talks with the Commissioners, to show them our side of the case and hear their side; because I believe with him, that most Commissions and Commissioners are anxious to make this great American railroad machine a success. We may think they make mistakes, but I believe that they are honestly trying to do just what we are trying to do. I heartily second Mr. Clark's suggestions along those lines, and think the Association should be much gratified that he took the time and trouble to come here and address you, and that he deserves a vote of thanks from you. I thank you very much indeed. (Prolonged applause.)

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